

**MINUTES
ENERGY, ENVIRONMENT AND TECHNOLOGY
INTERIM COMMITTEE
THURSDAY, JANUARY 25, 2007
4:30 P.M., HOUSE CAUCUS ROOM
STATEHOUSE, BOISE, IDAHO**

The meeting was called to order at 4:30 p.m. by Cochairman Senator Curt McKenzie. Other committee members present were Cochairman Representative George Eskridge, Senator Patti Anne Lodge, Senator Mike Jorgenson, Senator Russ Fulcher, Senator Kate Kelly, Senator Elliot Werk, Representative Maxine Bell, Representative Eric Anderson, Representative Bert Stevenson, Representative Bob Nonini, Representative Elaine Smith and ad hoc member Representative Wendy Jaquet. Senator Tom Gannon, Representative Ken Andrus and ad hoc member Representative Mark Snodgrass were absent and excused. Legislative Services Office staff present included Mike Nugent and Toni Hobbs.

Others present were Russell Westerberg, Rocky Mountain Power; Ken Miller, NW Energy Coalition; Russ Hendricks and Kent Lauer, Farm Bureau; John J. Williams, Bonneville Power Administration (BPA); Steve Thomas, Chevron; John Watts, Pacific Ethanol; Mike Huntington, Intermountain Gas; Gene Fadness, Marsha Smith and Paul Kjellander, Idaho Public Utilities Commission; Lee Flinn, Conservation Voters for Idaho; Representative Sharon Block, District 24; Wendy Eklund, Cool Cities; Rich Hahn and Ric Gale, Idaho Power; Alex Labeau and Mark Dunham, Idaho Association of Commerce and Industry (IACI); Shawna Gamache, Idaho Statesman; Brenda Tominaga, Idaho Irrigation Pumpers Association; Mark Thompson, Industrial Customers of Idaho Power; Brent Olmstead, Milk Producers of Idaho; Parker Howell, Spokesman Review; Ken Baker, Association of Idaho Cities; Ron Williams, Idaho Consumer Owned Utilities/Tesoro; Linda Jones, Holland & Hart LLP; Michael C. Louis, Energy Policy Institute; Ester Ceja, Snake River Alliance; Don Reading, Ben Johnson Associates; Kirk Hall; Bill Eastlake; Rich Rayhill and Stan Boyd, Ridgeline Energy; Dean Ferguson, Lewiston Tribune; Matthew J. Yost, Exergy; and Courtney Washburn, Idaho Conservation League.

Mr. Olson began with background information regarding the Draft Energy Plan. He explained that the document contained information that was agreed upon by the committee members at the last meeting that was held on November 15, 2007, in Post Falls.

Mr. Olson noted that section 4.2 “Support for the 25X25 Concept” was slightly different than what the committee had agreed upon. He said the change still shows support for the concept but it shows support for the entire United States reaching the goal of “25X25 instead of focusing on

Idaho specifically. **Representative Anderson** said it was his recollection that discussions about “25X25” included hydro. **Mr. Olson** stated that this section quotes the federal language verbatim. **Senator McKenzie** said he did suggest that hydro be included at the last meeting but the committee did not take action on that. **Representative Anderson** asked whether such language could be included. **Representative Eskridge** said, in his opinion, adding hydro to the language is too specific. The statement just says that Idaho supports the federal goal of “25X25” and that the state will do its part to achieve that goal. The federal goal does not include other actual types of energy. **Senator Fulcher** noted that other specific resources, including hydro, are included on page 39 of the plan. **Representative Anderson** said he was satisfied with that.

Representative Eskridge explained that the cochairmen had presented the draft plan to the Governor’s Office and they are in support but had concerns with this language making the Energy Division a department. **Representative Eskridge** distributed an handout that included some potential changes to the Draft Energy Plan. This is available at the Legislative Services Office.

The first proposed change is on page 7 and page 64 of the January 19 draft plan under the implementation actions section I-1 on page 7 and page 64. The original wording read:

- C *The Department of Water Resources should become the Department of Water and Energy Resources (IDWER), and Idaho should establish a statutory framework that prescribes the duties of the Energy Division within the IDWER.*

The proposed changes include:

- C *The Legislature, in consultation with the Governor, should study whether the Department of Water Resources should become the Department of Water and Energy Resources (IDWER), and Idaho should establish a with the necessary statutory framework that prescribing the duties of the Energy Division within the IDWER.*

Proposed change for page 64:

- C *The committee recommends further that the Legislature, in consultation with the Governor, study whether the Department of Water Resources be renamed the Department of Water and Energy Resources to recognize the importance of energy issues within state government and the newly expanded role of the Energy Division to help shape state policy.*

Senator Fulcher agreed with these changes and made the following motion:

“That the committee accept the language as stated above as changes to the draft energy plan.”

Senator Kelly seconded.

The motion carried by voice vote.

The next change involved the Idaho Energy Resources Authority Act. The proposed change makes it possible for all Idaho utilities, not just municipals and cooperatives, to jointly own and finance transmission and generation projects for the benefit of their ratepayers.

Other proposed changes included the following:

- C A typographical error change to a table on page 39.
- C Allowing non-municipal utilities to use tax-exempt financing to construct needed transmission facilities. This change is for E-24 on page 57 of the January 19 version of the plan. The language for this change reads:
 - C *Idaho should support efforts to amend the Internal Revenue Code to provide that revenue bonds issued by state transmission entities be provided with tax exempt status to provide additional ability to construct needed transmission facilities.*
 - C *Current federal law does not allow state-owned transmission entities to use federally tax-exempt bonds to finance transmission projects. Municipal utilities can make use of federally tax-exempt bonds to finance energy facilities; however, FERC's "Open Access" policy requires owners of transmission facilities to make available to third parties any capacity in excess of the facility owner's needs. This has sometimes caused publicly-owned utilities to fall into technical violation of the Internal Revenue Code regarding "private use" of facilities financed with tax-exempt bonds, jeopardizing those entities' continued ability to use tax-exempt bonds for project finance. Idaho should support efforts to amend the Internal Revenue Code to allow state-owned transmission entities to finance transmission projects with federally tax-exempt bonds while remaining in compliance with IRS rules.*

Senator Werk made a motion that the committee accept all of the above proposed changes to the plan. Representative Stevenson seconded and the motion carried by voice vote.

****Representative Stevenson moved that the following sentence on page 59 be deleted. It reads: *"At the same time, the Committee recognizes that Idaho is at a competitive disadvantage to other states with respect to production of corn-based ethanol and therefore declines to endorse renewable fuel standards or other mandates at this time."***

His reasoning for this is because it is making a judgment that will go into future. In his opinion, technology might change in the future to allow Idaho to produce corn-based ethanol. He also said this sentence does not add anything to the energy plan.

Representative Eskridge seconded the motion.

In response to a question from **Representative Jaquet**, **Representative Stevenson** said the sentence states a fact that is true today but, in his opinion, it does not really add anything to the actual energy plan.

The motion carried by voice vote.

*****Representative Stevenson made another motion regarding section T-4 on page 60 to delete the language “In lieu of renewable fuel purchase mandates,” because Idaho does not have such mandates. Senator Jorgenson seconded**

Representative Anderson said, in his opinion, this language follows the intent of the plan.
The motion carried by voice vote with Representative Anderson voting nay.

Senator McKenzie went on to discuss minor changes to the minority report and suggested any motion be worded to say “to accept minor typographical changes to the minority report in the body of the plan and the appendix.”

Senator Kelly moved that the committee accept the Draft Energy Plan dated January 19, 2007, with any typographical corrections and other corrections that had been discussed today including in the appendices. Senator Lodge seconded.

The motion carried by voice vote.

Representative Eskridge acknowledged the work that was done on the minority report and voiced his appreciation for that. **Senator Kelly** thanked the cochairmen for allowing the minority report to be part of the Energy Plan appendix.

Representative Smith moved to approve the November 15, 2007 minutes with a correction that Representative Andrus was absent and excused. Senator Kelly seconded and the motion carried by voice vote.

Representative Eskridge noted that **Representative Jaquet** had prepared a handout that identifies code sections that could be used for legislation regarding the energy plan.

Representative Stevenson distributed proposed legislation dealing with fuel issues for the committee to review. He wanted committee members to be aware of this legislation when presented to the germane committees. This legislation includes the following RS numbers and topics:

- C 16784 - Exclusivity Contracts
- C 16785 - Incentives grants to help infrastructure for ethanol and biofuels to encourage outlets to sell
- C 16786 - Income tax credits for infrastructure investments in biofuels

C 16787 - Production enhancement for biofuels that is countercyclical based on price

In response to a question from **Representative Jaquet**, **Representative Eskridge** said he had talked to the Speaker regarding continuation of the Energy, Environment and Technology Interim Committee and there is recognition that it should continue.

Representative Eskridge thanked everyone for the hard work that was done this summer.

The meeting was adjourned at 5:40 p.m.

After the meeting had adjourned, **Representative Stevenson distributed a letter to committee members asking that his motion (page 3 of these minutes) dealing with language on page 59 of the draft energy plan be changed to the following:

C *~~“At the same time, the Committee recognizes that Idaho is at a competitive disadvantage to other states with respect to production of corn-based ethanol and therefore declines to endorse renewable fuel standards or other mandates at this time.”~~ The Committee does not recommend renewable fuel standards or other mandates at this time.*

*****Representative Stevenson** also asked that his motion (page 4 of these minutes) to delete the language on page 60 of the draft energy plan that read “*In lieu of renewable fuel purchase mandates,*” be disregarded or withdrawn.

There was no objection from other committee members.

A copy of his letter is available at the Legislative Services Office.